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April 29, 2003

Jeff S. Jordan
Office of General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

2003 APR 29 P 4:14

Re: MUR 5357 (Bob L. Moss)

Dear Mr. Jordan:

This letter responds on behalf of Bob Moss to the complaint filed by Centex Corporation's outside counsel, Arnold & Porter, on March 25, 2003. Mr. Moss formally received notice of the complaint on April 3, 2003. For the reasons described below, the Commission should determine that no action should be taken against Mr. Moss because he did not violate any laws or regulations in carrying out his role in Centex Rooney Construction Co., Inc.'s ("Rooney") political contributions procedures, as approved by Centex Corporation Group's ("CCG") Chairman and CEO Brice Hill.

The Complaint

The complaint was drafted and submitted by Arnold & Porter attorneys hired by Centex Corporation "to investigate potential violations of federal election laws that may have occurred at" the wholly owned subsidiary (Rooney) of one of Centex's wholly owned subsidiaries (CCG). After a rapid "investigation," these attorneys initially submitted a letter on February 27, 2003 "to notify the Federal Election Commission (the "Commission") of potential violations." The letter (at 9) admitted that "the investigation into this matter is continuing." Apparently, however, Centex's attorneys ultimately recognized that its "letter" was neither a complaint (it failed to follow the FEC's statutory procedures) nor was it a "sua sponte submission" (it did not accept or report Centex's own responsibilities for the events in question, but instead attempted to place blame on certain of its subsidiaries and specified officers of those subsidiaries for any purported violations). Accordingly, the Arnold & Porter attorneys eventually filed the same February 27 letter with an attached letter, dated March 24, 2003, and a notarized declaration signed by Mr. Robert Litt, dated March 25, 2003, in order to request that the Commission classify both letters "as a complaint."

Discussion

The facts are explained in detail in the attached statements of Bob Moss ("Moss Statement"), Kenneth R. Bailey ("Bailey Statement"), and Teresa Hopkins ("Hopkins Statement"). We will not repeat them here, but will refer to them in highlighting a few points necessary to respond to the Complaint.

I. Moss Only Intended Political Contributions To Be Considered As Part Of A Broader Discretionary Bonus Plan

Prior to Brice Hill becoming Chairman and CEO of CCG, CCG's, "and its subsidiaries", political contribution policy was to make corporate contributions wherever permissible." Bailey Statement at ¶ 9. "In 1997, [however], Brice Hill decided that although he agreed that CCG and its subsidiaries should be active politically, he believed the most effective political contributions were those made by employees personally." Moss Statement at ¶ 19. "He thereby ended CCG's, and its subsidiaries' (including Centex Rooney's), practice of making corporate political contributions." *Id.* As a subordinate of Mr. Hill, Mr. Moss had no choice but to honor this decision, but was sympathetic when "[s]ome of these executives expressed concern about this added financial burden." *Id.* at ¶ 20. Mr. Moss expressed his belief to Mr. Hill "that Centex Rooney should somehow take into account their personal sacrifices." *Id.*

The solution ultimately decided upon by Mr. Hill, in a March 4, 1998 meeting with Messrs. Bailey and Moss, was that "contributions would . . . be considered at discretionary year-end bonus time." Bailey Statement at ¶ 14. These three corporate officers understood that executives would not actually be reimbursed for specific contributions—whether through a grossed-up or dollar-for-dollar reimbursement system. Amongst the proof of this statement is the fact that there was no guarantee that political contributions would even be considered in the compensation process because, unless the company met its minimum profitability thresholds, there would be no bonuses whatsoever. *Id.*; Moss Statement at ¶¶ 24, 33 and 43. Thus, to Mr. Moss's understanding, executives were not informing the company of their political contributions in expectation of receiving direct reimbursement, but rather in the hope that these contributions would be recognized as part of the executives' efforts on behalf of the companies' success in the field when annual discretionary bonuses were determined. Moss Statement at ¶ 33; *see also* Bailey Statement at ¶ 13-14. Instead, he envisioned that executives would inform Rooney of all of their personal sacrifices (including political contributions) and accomplishments on behalf of the company as part of their efforts to demonstrate their contributions to the overall success of (and thus their bonus from) Centex Rooney. *Id.* at ¶¶ 33, 34, and 45-52.

Once Mr. Hill made the decision to stop corporate political contributions and recognize personal political contributions in the year-end bonus, Mr. Hill "tasked [Mr. Moss] with explaining Hill's decision to the accountants and asking them to establish a fair method for the contributions to be considered." Moss Statement at ¶ 24. "Pursuant to Hill's directive, [Mr. Moss] discussed his decision with Gary Esporin, then Chief Financial Officer ("CFO") of Centex Rooney. Esporin committed to create and administer the process for accounting for individual political activity" *Id.* at ¶ 25. Neither Mr. Moss nor Mr. Bailey ever directed the

specifics of how these contributions were to be recorded and considered by Mr. Esporin. Bailey Statement at ¶ 15; Moss Statement at ¶ 26.

Mr. Bailey's involvement with Rooney's political contributions was extremely minimal; as CCG's second in command he participated in the meeting and agreed with Mr. Hill's decision. He had neither additional responsibilities nor future interaction in this regard. Bailey Statement at ¶ 15.

Mr. Moss's "focus was big picture only." Moss Statement at ¶ 46. He "understood the company direction (decided by [his] supervisor Brice Hill in the meeting of March 4, 1998) to be that political contributions should be considered as part of determining an executive's annual bonus—if a bonus was awarded. Accordingly, [he] would consider political contributions only in that global context and only as a small part of a much larger appraisal of how much an employee's performance benefited the company." *Id.* at ¶ 33. "All [Mr. Moss] cared about for each individual was to consider all factors in establishing a total bonus amount, while following the incentive plan guidelines." *Id.* at ¶ 46. "[T]he largest part of [an executive's] overall bonus[] was based on a mathematical calculation of economic earnings of the company." *Id.* at ¶ 48. His job was to look at each "individual's performance taken as a whole; specific numbers, such as how much business an executive had brought in or time and money spent on relationship building (including political contributions), were only relevant as factors in solidifying [his] view of their overall worth to the company that year." *Id.* at ¶ 47.

To Mr. Moss, whatever numbers were ultimately assigned to executives' contributions by his finance officer Mr. Esporin were "essentially irrelevant to [his] decisions on the size of an executive's bonus [because] [t]he number was typically only a very small portion of the overall bonus." *Id.* at ¶ 32. Likewise, while relationship building was just one factor in examining each executive's whole picture, Mr. Moss would nevertheless give "consideration to all employee relationship building and extra curricular efforts (personal sacrifices) in determining an individual's annual incentive performance bonus." *Id.* at ¶ 49.

The company had an administrative process that it followed to reimburse employees for their business-related expenses. Hopkins Statement at ¶¶ 3-4. That procedure was not utilized for political contributions in the case of Mr. Moss. Rather, the only recognition that Mr. Moss received for his political contributions was through their presence on one of the columns of the bonus spreadsheet, which, as discussed above, was not a guarantee that he would receive compensation for these contributions. Accordingly, Mr. Moss "never authorized any direct reimbursements for anyone's political contributions nor did [he] ever advance money for any political contributions or expenses." Moss Statement at ¶ 33. And, he "never attempted to make executives whole (whether by dollar-for-dollar reimbursement, gross-up for taxes, or otherwise) for their political contributions." *Id.* at ¶ 32.

His executive assistant, Teresa Hopkins, worked with Mr. Moss during the entire relevant time period. Hopkins Statement at ¶ 2. One of her responsibilities was to "handle[] his reimbursement requests." *Id.* at ¶ 3. She confirmed that Mr. Moss had never sought "a reimbursement or advance for one of his political contributions" and she had "never submitted a

political contribution for reimbursement or advance [nor] received a check reimbursing or advancing Mr. Moss for a political contribution.” *Id.* at ¶ 5.

Mr. Moss also “never directed people to make contributions to specific candidates. [He] made sure that everyone knew that making political contributions was a personal, voluntary decision, and that CCG’s only concern with their political activity was to consider it in the context of relationship building.” Moss Statement at ¶ 34; *see also* Hopkins Statement at ¶ 11 (noting that Mr. Moss advised her that political contributions “should be kept personal and voluntary”). Mr. Moss is “not aware of any contributions that were made involuntarily.” Moss Statement at ¶ 35; *see also* Hopkins Statement at ¶¶ 7-8 (“During my six years as Bob Moss’s executive assistant, I never saw any executives pressure another executive or employee into making political contributions. . . . I never saw Mr. Moss ask more than once (including when someone declined) for a contribution.”).

Finally, the Complaint (at 1) notes that Mr. Moss “was the principal financial beneficiary of the activities.” Of course, Mr. Moss, as the head of Rooney and later CCG, also was the principal beneficiary of Rooney’s incentive compensation program. The Complaint (at 5-6) shows that on average, Mr. Moss and/or his wife Sandra made fewer than three federal contributions per year for a grand total of \$11,675 to candidates and \$30,000 to parties in the nearly six years at issue.¹ The comparative worth of the consideration Mr. Moss received for his federal political contributions was minimal compared to his overall bonus. *See* Attachment 1B. Moreover, as noted in Robert Litt’s and Martha Cochran’s letter to Ms. April Sands, dated March 24, 2003, “[f]ull reimbursement has already been obtained from Mr. Moss . . . by way of a set-off against funds due him.” Indeed, Mr. Moss confirms that he has “been informed by Centex Corporation that any funds due to me would be reduced by an amount necessary to ensure that the company is fully reimbursed for any consideration I received based on my political contributions. The corporation has since done that, reducing the amount owing and payable to me from CCG by the amount of political contributions I made and reported to the company.” *Id.* at ¶ 16. Thus, to the extent Mr. Moss’s participation in Rooney’s handling of political contributions is determined to be inappropriate; he now has disgorged all benefits from it.

II. Moss’s Actions Were Pursuant To The Directions Of His Corporate Superiors

Mr. Moss’s business motto was “No Surprises.” *Id.* at ¶ 60. At any given time, he was responsible for myriad projects that involved almost countless employees, subcontractors, and other personnel. Each project required attention to details ranging from safety codes to which type of tile had been selected for each bathroom. The only way to remain successful in his position was to be organized, delegate responsibilities liberally to those who had shown they could manage it, and insist on open communications and transparency with everyone involved. He understood the importance of following the company’s line of authority and accordingly was “respectful of his superiors’ and peers’ guidance.” Bailey Statement at ¶ 8. Thus, not only did Mr. Moss expect his employees to communicate directly with him, he maintained a “direct approach in talking with [Larry] Hirsch [Chairman and CEO of Centex Corporation]” and

¹ The Complaint shows 18 federal contributions from July 25, 1996 to March 20, 2002.

“always strove to keep all aspects of [his] operations transparent to [his] superiors.” Moss Statement at ¶ 60.

The Complaint (at 2) states that “[n]o officials at Centex were aware that employees of Rooney were being reimbursed for personal political contributions.” Officials at Centex were aware, however, of Centex Rooney’s implementation of Mr. Hill’s decision to recognize Centex Rooney employees’ political contributions in determining year-end bonuses. Moss Statement at ¶¶ 51, 56-58, and 60. Likewise, “Chris Genry and Mark Layman at Group, and Gary Esporin at Rooney—had to know the details and sign off on it each year in order for people to get their bonus checks.” Bailey Statement at ¶ 15; *see also* Moss Statement at ¶¶ 36-40 and 53-63. Finally, pursuant to Mr. Hirsch’s instructions, Centex Rooney’s Executive Vice President and General Counsel, Bruce Moldow, “was involved in ensuring our compliance with the company’s ‘Political Contributions’ document.” Moss Statement at ¶ 55. In fact, Mr. Moldow was not merely a detached observer of the procedures, but a participant. He “submitted copies of his political contribution checks to Esporin [and] never indicated that considering political contributions in the bonus process was inappropriate.” *Id.*

Beyond seeking his superiors’ guidance and approval throughout the process and ensuring that Centex Rooney’s and CCG’s financial people and legal counsel were on board, Mr. Moss also read and followed Centex Corporation’s guidance regarding political contributions. *Id.* at ¶ 56. Unfortunately, however, the guidance issued during this time period did “not address the propriety of recognizing employees’ political contributions.” *Id.* at ¶ 57; *see also* ¶ 56. Indeed, the Complaint (at 8) acknowledges that Centex Corporation must “develop enhancements to existing policies and procedures.”

III. Centex Is Not Mattel

The Arnold & Porter attorneys have recently followed an almost identical course in bringing a company’s political contribution activities before the Commission in a completely unrelated matter, MUR 5187 (“Mattel”). However, their apparent reliance on the Mattel case analysis has had the unfortunate result of providing the Commission with a distorted depiction of the events in question.

The Conciliation Agreements signed in Mattel indicate that (1) there was “no evidence that any senior executive at Mattel other than Mr. Cuza knew that additional payments were being made to AMS via Laxmi”; (2) “[t]he reimbursements of political contributions were made in violation of Mattel’s internal political policies and procedures”; (3) “Mr. Cuza concealed these payments from his superiors at Mattel”; and (4) there was “no evidence that any senior Mattel executive other than Mr. Cuza . . . knew or understood that the additional payments to AMS were for the purpose of reimbursing political contributions.” Mattel Inc. Conciliation Agreement at ¶¶ 7 and 8 (Dec. 3, 2002). Moreover, the General Counsel Reports made public in Mattel are littered with words such as “scheme,” “unauthorized,” “manipulated,” “circumvent,” “took advantage of,” “disguise,” and “unlikely to arouse suspicion.” *See e.g.*, MUR 5187, General Counsel’s Report #3 at 7 (November 25, 2002); MUR 5187, First General Counsel’s Report at 5, 10 (Feb. 19, 2002).

None of those descriptions or words is applicable in this case. Likewise, the Mattel model of a secretive, rogue executive is completely inapposite. Nothing in the Centex discretionary bonus process was hidden. Nothing was disguised. No company procedures were circumvented in order to undertake the events in question. No special accounts or outside vendors were utilized to avoid suspicion. To the contrary, and as described in the Bailey and Moss Statements and summarized in Section II above, the political contributions activities questioned by the Complaint here were all known by Mr. Moss's superiors, the responsible CCG and Centex Rooney financial officials, and the in-house counsel responsible for such matters. The manner in which political contributions were considered was available at any time for examination by any interested executive of Centex and Mr. Moss personally offered to address the issue with Larry Hirsch, the CEO of Centex, on at least two occasions. See Moss Statement at ¶¶ 51, 56-58, and 60.

IV. If Any Violations Occurred, They Were Not Knowing And Willful

The phrase "knowing and willful" indicates that "actions [were] taken with full knowledge of all of the facts and a recognition that the action is prohibited by law." 122 Cong. Rec. H3778 (daily ed. May 3, 1976). As Mr. Moss's Statement makes clear, he had no reason to believe that there was anything illegal in the plan announced by Brice Hill and implemented by Gary Esporin. Based on the documents he has seen and information he has learned over the past couple of months, Mr. Moss now realizes that he did not have a full knowledge of the facts. He therefore did not recognize that any of his, Centex Corporation's, CCG's, or Rooney's actions—as he then understood them—were potentially prohibited by law. Accordingly, if any violations occurred, they were not because of knowing and willful actions by Bob Moss.

Mr. Moss is a "construction worker by trade [with] more than 35 years of construction experience." Moss Statement at ¶ 2. He is "neither an attorney nor accountant and ha[s] no background in either field." *Id.* Prior to the investigation of these events, Mr. Moss "had never read federal or state election statutes." *Id.* at ¶ 56. Instead, he relied on Centex's guidance on the issue and his in-house counsel to ensure his compliance with federal and state election laws. *Id.* at ¶¶ 55-57. Unfortunately, the written guidance "did not address a Centex company's ability to recognize employees' political contributions." *Id.* at ¶ 56; see also *id.* at ¶ 57. Likewise, his attorney participated by submitting his political contributions for recognition and "never indicated that considering political contributions in the bonus process was inappropriate." *Id.* at ¶ 55. He also relied on his financial people to create a fair system that was "structured according to CCG's guidelines to recognize and financially reward relationship building activities by providing bonuses in years where the company had met its minimum financial thresholds." *Id.* at ¶ 42. Mr. Moss held the relevant executives, including legal and financial personnel, at Centex Corporation, CCG, and Rooney in high regard. He therefore assumed that there were sufficient checks and balances to ensure Rooney's recognition of political contributions in compliance with any relevant laws and company policies.

As noted in Section III, as an added safeguard, Mr. Moss kept the entire process entirely transparent. See, e.g., *id.* at ¶¶ 36-40 and 52. He acted neither covertly nor alone. Rather, he gained approval and guidance from his direct superior Brice Hill before turning the specifics over to the Company's financial people. *Id.* at ¶¶ 21-26. He never attempted to have the

political contributions recognized outside of Centex's normal procedures, but instead utilized the existing "Executive Incentive Compensation Program." See, e.g., *id.* at ¶ 23; Bailey Statement at ¶ 14. The discretionary management bonus column, which represented the consideration given to political contributions, was there for all involved in the process to see and approve. See, e.g., Moss Statement at ¶¶ 36-40. Likewise, his "own political contributions were recognized in the left-hand discretionary bonus column[, which] allowed [his] corporate superiors to know of them, and to raise questions as part of the review process if they had any concerns about [his] bonus." *Id.* at ¶ 52. In short, the fact that the activities highlighted in the Complaint are so well documented and transparent shows that Moss had no idea that extending the bonus plan's recognition of relationship building activities to include political contributions might be deemed inappropriate or illegal. For nearly five years, no one had ever questioned its propriety and he was shocked and saddened that it would be cited as the reason or excuse to end his 17-year career with the Centex companies on unfavorable terms.

Conclusion

Mr. Moss acted without any intent to violate the election laws while engaged in the matters described in the Complaint and all money distributed to him that could be attributed to recognition of his political contributions has been returned to the company. Accordingly, we respectfully request that the Commission take no further action on this matter against Mr. Moss. As described elsewhere, Mr. Moss's motto during his career is "No Surprises." In that vein, Mr. Moss will continue to cooperate with the Commission and its staff in this matter. If you have any questions, or we can be of any assistance, please do not hesitate to call us at the above number.

Sincerely,



Trevor Potter
Kirk L. Jowers
Counsel to Bob L. Moss

cc: Bruce Lyons

Enclosure

CENTEX ROONEY

CONSTRUCTION COMPANY

NET AMOUNTS \$14,250⁰⁰

- ~~\$9,250⁰⁰~~
- ① BOB MOSS ~~\$8,950⁰⁰~~
- ② BROOKS GILMORE \$250⁰⁰
- ③ DAVE LOWERY \$250⁰⁰
- ④ AL PETRANGELI \$2,000⁰⁰
- ⑤ GARY G. \$1,500⁰⁰
- ⑥ BRUCE ADLOW \$500⁰⁰

3/4/9P
DLA: BAICE AGREES THAT WE WILL
HAVE THIS ON THE BONUS STATEMENT.
WE WILL HAVE A MGT. DISCRETIONARY
COLUMN THAT WILL ADDRESS THESE
AMOUNTS SEPARATELY. THE OTHER
DISCRETIONARY COLUMN WILL
BE ALLOCATED SEPARATELY
AFTER THESE AMOUNTS ARE
FUNDED.

23 04 406 3185

Statement of Kenneth R. Bailey

FACTUAL BACKGROUND

1. My name is Ken Bailey. I am providing this statement in order to share my recollections concerning Centex Rooney Construction Company Inc.'s ("Rooney") political contribution policy.

2. I have worked in the construction trade my entire working life. In 1997, I was preparing to retire from my position as President of Brown & Root Building Company when I was approached by Centex Construction Group ("Group"). I was well aware of Group, its subsidiary Rooney, and more specifically Bob Moss well before this time because Moss had been my single biggest competitor in Florida.

3. I had always been impressed by the Centex companies and ultimately accepted Group's offer in April of 1997 to become its Executive Vice President and Chief Operating Officer. I agreed to serve for three years. At the end of that period—April of 2000—I agreed to stay on part-time. I currently still work for Centex, on a semi-retired basis, as Senior Vice President of Group and Chairman of the Board of Centex Engineering and Construction Company in Dyersberg, Tennessee.

4. From the time I began working with Group until January of 2000—when Moss replaced Brice Hill—I reported to Hill, Group's Chairman, President, and CEO. Moss, as President of Rooney, reported to me. Once the transition took place, I reported directly to Moss.

5. The admiration I had of Bob Moss as his competitor has grown exponentially during my time as his colleague. Moss' reputation in the field, which I agree with, is that he always competed fiercely, but fairly, for jobs and once he got the job his team did excellent work.

6. Moss is one of the most competent and energetic people I have ever known. He works at an energy level that wears you out. I am always stunned at how much he accomplishes and how many duties he successfully juggles. His remarkable record at Rooney and then Group speaks for itself. Under any evaluation, using any relevant indicators, he is the best, most effective leader either company has ever had.

7. Regardless of his abilities, I did not always agree with Bob Moss and I would from time to time provide this type of feedback to him. To Moss' credit, whether I was his superior or subordinate, he always reacted positively and graciously to my suggestions or criticisms.

8. In sum, I can honestly say that I never saw Bob do anything that was not for the benefit of his company, clients, and employees. He has always been loyal to his company and respectful of his superiors' and peers' guidance.

GROUP'S POLITICAL CONTRIBUTION POLICY

9. Prior to my arriving at Group, its, and its subsidiaries', political contribution policy was to make corporate contributions wherever permissible.

10. On March 4, 1998, Brice Hill, Bob Moss, and I got together after a previously scheduled meeting to discuss the various considerations associated with making small political contributions. During the course of the meeting, I learned that sometime in the past few months, Hill had decided that he no longer wanted corporate funds to be used for political contributions. I do not know what prompted the decision. Regardless, the only way to make contributions in the future would apparently be through Centex Corporation's PAC or individuals' personal contributions.

11. Moss explained that Rooney was working in many rural counties scattered throughout Florida, often for school boards and other governmental agencies. He noted that political contributions were often crucial for maintaining good client relations and developing new ones. I was sympathetic to the difficulties Moss described.

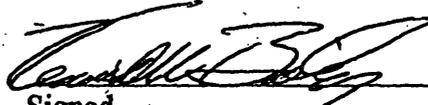
12. Throughout my entire career, local political contributions had been problematic. Federal PACs were fine for federal candidates, but federal candidates were typically not that important for contractors. Our interests in making political contributions were usually for local school board positions and other small-time offices. Typically, the people administering the federal PAC were not very receptive to these requests and were almost never timely.

13. Moss made many of these same points and noted that sometimes an individual felt compelled by a candidate's or party's request to make a contribution even though it had nothing to do with that individual's personal politics or even business. In those instances, the only reason an individual would make a contribution would be to leave a favorable impression of Rooney. These types of contributions, Moss explained, should be recognized by the company just as any other effort made by an employee—for the sole benefit of the company—would be recognized.

14. The three of us then discussed various options on how to give due consideration for Rooney employees' political contributions. Hill and I finally both agreed with Moss' suggestion that individuals would simply make the contributions that they deemed proper. Those contributions would then be considered at discretionary year-end bonus time. A key component of our agreement was that no monetary consideration would result for political contributions if the company did not meet its minimum profitability thresholds because there would then be no bonuses—period.

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15. After that meeting, I had no idea how the plan was actually implemented and never saw actual numbers regarding Rooney's political contribution plan. I can not speak for certain as to what others knew about the policy, although company procedures would suggest that the financial people—Chris Genry and Mark Layman at Group, and Gary Esporrin at Rooney—had to know the details and sign off on it each year in order for people to get their bonus checks. Also, Brice Hill would have reviewed and approved the final bonus spreadsheets before any bonus checks could be written.


Signed

4-7-03
Dated

Sworn and subscribed
to before me this 7th
day of April, 2003.

Debbie P. Stanley
Notary Public

My Commission expires: 4-7-2004

23 04 406 3133

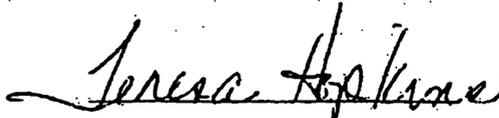
STATEMENT OF TERESA HOPKINS

1. I am Teresa Hopkins, formerly an executive assistant to Bob Moss at Centex Rooney Construction Company Inc. and Centex Construction Group.
2. I began working at Centex Rooney in 1991 as a secretary to then Chief Financial Officer Jim Smith. Upon Mr. Smith's departure, I worked for his successors, Bill Goodrum and then Gary Esporin, until the Fall of 1997. I served as Bob Moss's executive assistant from the Fall of 1997 to December 13, 2002. I resigned from Centex Construction Group on December 13, 2002 to travel the United States with my family. I left on good terms and would enjoy returning to one of the Centex companies once our travels are completed.
3. As Mr. Moss's executive assistant, I handled his reimbursement requests. Mr. Moss never asked for cash advances. The procedure for reimbursements was as follows. Mr. Moss would accumulate receipts (taxi cabs, travel expenses, business development dinners, etc.) and then pass them on to me. If each item of the requested reimbursements was less than \$100, I would fill out the Centex Rooney reimbursement form, attach Mr. Moss's receipts, and, via inter-office mail, forward the signed form and receipt to Amy Walters, Centex Rooney's Accounting Department Manager (or to Robbie Sheridan, a direct report of Ms. Walters). The Accounting Department would then process the request and, via inter-office mail, provide me with a reimbursement check for Mr. Moss. Depending on the amount of the reimbursement and what the expenses were for, Mr. Moss would direct me to deposit the check in one of his two bank accounts or simply cash it for him.
4. In the event that an item exceeded \$100, the process was the same as I described in paragraph 3, except that I had to follow one additional step before forwarding the request on to Centex Rooney's Accounting Department. I would mail the form and Mr. Moss's receipts to Dallas, Texas for approval by Larry Hirsch, Chief Executive Officer of Centex Corporation. Mr. Hirsch would approve of and sign the reimbursement request, and then mail it back to me for further processing.
5. Mr. Moss never asked me to seek a reimbursement or advance for one of his political contributions. Accordingly, I never submitted a political contribution for reimbursement or advance and I never received a check reimbursing or advancing Mr. Moss for a political contribution.
6. Company procedure for maintaining a record of Mr. Moss's political contributions was simple. Mr. Moss would give me his political contribution check and I would make a copy of it. I would drop the copy of the check into an inter-office mail envelope addressed to Gary Esporin, and stamp "confidential" on the envelope. I assume that Mr. Esporin kept a file with Mr. Moss's contribution checks, but other than keeping a file, I have no idea what, if anything, he did with the contribution check copies. I am not aware

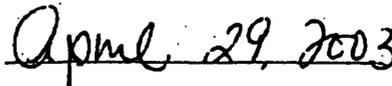
23 04 406 3189

of Mr. Esporin ever reimbursing Mr. Moss for his political contributions.

7. During my six years as Bob Moss's executive assistant, I never saw any executives pressure another executive or employee into making political contributions.
8. Mr. Moss—as well as other Centex Rooney executives—would informally ask friends, clients, and fellow executives whether they would be interested in participating in a fundraiser or contributing to a candidate. I never saw Mr. Moss ask more than once (including when someone declined) for a contribution.
9. Occasionally, at Mr. Moss's request, I would pass on political participation opportunities that Mr. Moss received, such as fundraisers or requests for contributions, to five senior Centex Rooney executives who were politically active: Ray Southern, Al Petrangeli, Gary Esporin, Bruce Moldow, and Gary Glenewinkel.
10. On one occasion, when Mr. Moss was traveling, he asked that I share information about an opportunity to contribute to Governor Jeb Bush's reelection campaign with these five individuals. These five executives traveled often, however, and even when everyone was in town, Mr. Moss and I did not always cross paths with them because their offices were on the second floor with Centex Rooney while Mr. Moss and I were on the fourth floor with Centex Construction Group. Accordingly, I thought a short email would be the quickest and most efficient way to notify them.
11. Mr. Moss did not ask me to write the "Jeb Bush" email and was initially unaware that I had done so. Upon Mr. Moss' return to the office, however, he was approached by Ray Southern and Bruce Moldow on separate occasions regarding the email. Mr. Moss later approached me and asked that I not email political contribution information as it should be kept personal and voluntary and entirely separate from business. I told him that I did not mean to cause any problems and would be sure not to email such information in the future.



Signed



Dated

23 04 406 3190

**STATEMENT OF
BOB L. MOSS**

BACKGROUND

1. My name is Bob Moss. I am providing this statement in response to the complaint in MUR 5357.

2. I am a construction worker by trade and have more than 35 years of construction experience. I am neither an attorney nor accountant and have no background in either field.

3. I earned my two-year degree in building construction technology at Central Piedmont Community College in Charlotte, North Carolina in December of 1968. In 1969, I became a Junior Engineer for JA Jones Construction Company, based in Charlotte, North Carolina. I remained with JA Jones until 1980, when I moved over to Rodgers Construction Company, based in Nashville, Tennessee.

4. I met Jim Herndon, then Chairman and Chief Executive Officer ("CEO") of Centex Construction Group ("CCG") in 1986. The purpose of our meeting was to ascertain CCG's interest in purchasing Rodgers. As the conversations continued, Herndon and Larry Hirsch, then Centex Corporation's President and Chief Operating Officer ("COO"), convinced me to leave Rodgers and move to Florida to head up what was then called Frank J. Rooney Construction—now known as Centex Rooney Construction Co., Inc. ("Centex Rooney"). I thereby began nearly 17 years of service with Centex companies. Roughly a year later, Rooney purchased my old employer, Rodgers Construction, with my assistance.

5. Centex Corporation was established in 1950 in Dallas, Texas, although its roots go even further back due to some of the companies it has acquired. Its many subsidiaries are divided into different categories: Home Building, Home Services, Financial Services, Construction Products, Investment Real Estate, and Contracting and Construction Services.

6. CCG is the management company for the last category. CCG's subsidiaries are Centex Rooney, Centex Rodgers, Inc., Centex Southeast, Centex Southwest, Centex Engineering & Construction, and Centex Mid-Atlantic.

7. Centex Rooney is one of the most respected and successful construction companies in Florida and essentially runs Centex's commercial construction

division in Florida. Projects built by Centex Rooney include Disney's Animal Kingdom Lodge and Cinderella's Castle, Ft. Myers U.S. Federal Courthouse, and many of Florida's universities, schools, airports, prisons, and churches. I have been personally involved in each of these projects since 1986, and take pride in my skills as a "hands on" construction manager.

8. During the mid and late 1990's, as Centex Rooney grew and succeeded in the construction business in Florida, Larry Hirsch (elected as Chairman of the Board of Centex Corporation in July 1991 and has served as Chief Executive Officer of Centex since July of 1988) repeatedly asked me to accept his offer to take charge of its parent corporation, CCG, based in Dallas. Although this offer was a promotion, I consistently declined because I did not want to run a big company or travel all over the country. I was very content with my role in building and leading the Florida company, where I knew everyone and understood the projects more intimately. I also did not want the added managerial responsibility and was not willing to move my family to Dallas, or anywhere else.

9. Because I would not accept the job, other individuals were hired to lead CCG—and then fired—including my predecessor Brice Hill. Hill became Chairman, CEO, and President of CCG in 1996 and remained in those capacities until he was terminated in January of 2000. He was my superior and I reported directly to him for those nearly four years.

10. In January of 2000, Larry Hirsch again approached me about taking over CCG. I remained hesitant, but Hirsch persisted. Finally, after Hirsch confirmed that I would report directly to him, i.e., no middle-man between us, and that I could move the headquarters of CCG from Dallas, Texas to my home of Fort Lauderdale, Florida, I relented.

11. I became head of CCG on January 11, 2000. I remained in that capacity, as well as remaining Chairman of Centex Rooney, until I was terminated from both companies on February 13, 2003.

12. I loved most of my time with Centex and am very proud of the buildings and reputation we built together. The praise we garnered, such as Centex being ranked by Forbes Magazine as "America's Most Admired Company" in Engineering and Construction for the years 2000, 2001, and 2002, was earned through honest, hard work and a commitment to excellence. Likewise, until December of 2002, I received only excellent reviews from Hirsch and the Centex leadership team in Dallas.

13. In January of 2002, Tim Eller was named COO of Centex. We clashed for various business reasons completely unrelated to this matter, including that I did not appreciate Eller's efforts to make me report to him (contrary to my 2000

agreement with Larry Hirsch). My relationship with Hirsch had been very good and I did not want to mitigate CCG's effectiveness by having to go through someone who did not yet understand the business. Throughout 2002, my relationship with Eller continued to coarsen until, in December, I began to realize that Hirsch would ultimately have to make a choice between us.

14. The choice came quickly. On January 14, 2003, I had a meeting in Dallas with Larry Hirsch and Tim Eller to try and ease the tensions, but nothing was resolved. On January 23, 2003, I again flew to Dallas to meet with Larry Hirsch to bring matters to a head. We agreed to a parting of the ways and by the end of the meeting we had reached a hand-shake agreement regarding the terms of my departure, and a future consulting agreement.

15. In the course of the January 23rd meeting, and for the first time, Hirsch raised several issues about my performance at CCG. These issues included questions about a minor error on a recent expense statement of mine, comments he said Gary Esporin and Mark Layman had made that were critical of my recent analysis on the Bank of America construction project, and "concerns" he now had about how "political contributions were being handled" at CCG, based on my raising the issue in our January 14 meeting (discussed below).

16. I regarded this list of issues as a poor attempt to rationalize my departure, but I did not worry about them further at that point since we had reached an agreement on my future. However, Centex thereafter brought in outside-counsel to investigate the recognition of political contributions at CCG and later wrote me that my employment was being terminated "for cause," and that the previously agreed terms of my consulting contract would not be honored. In addition, I have been informed by Centex Corporation that any funds due to me would be reduced by an amount necessary to ensure that the company is fully reimbursed for any consideration I received based on my political contributions. The corporation has since done that, reducing the amount owing and payable to me from CCG by the amount of political contributions I made and reported to the company.

POLITICAL CONTRIBUTIONS

17. From the day I began with Centex Rooney, I have encouraged relationship building through community and political involvement by employees. I thought it was good for the causes and the individuals participating. I have always led by example. In this regard, I have spent countless hours volunteering for and contributing to charitable causes, as well as occasionally supporting candidates and political parties.

18. I know that our relationship building activities have been an important part of Centex Rooney's successful business development strategy that has

resulted in it being one of the highest performing construction companies in the nation. Builders rely heavily on reputation, goodwill, and personal relationships, particularly in the smaller communities. One hundred percent of Centex Rooney's business is acquired by negotiations. The negotiated selection process is based on a company's reputation, execution abilities, and personal relationships. The social and political ties our employees forge often lead to work on building projects. Accordingly, in addition to individuals' personal contributions to candidates and parties, prior to 1997, Centex Rooney made corporate political contributions with company checks where appropriate and legal (e.g., to certain non-federal candidates).

19. In 1997, Brice Hill decided that although he agreed that CCG and its subsidiaries should be active politically, he believed the most effective political contributions were those made by employees personally. He felt it was more personal and therefore more effective to have an individual employee hand his or her check to the candidate directly. He thereby ended CCG's, and its subsidiaries' (including Centex Rooney's), practice of making corporate political contributions.

20. Based on Hill's instructions, I directed Centex Rooney senior executives to no longer make corporate political contributions. I told them that any future political contributions would have to be from their personal funds. Some of these executives expressed concern about this added financial burden. As a result, I agreed to have Gary Esporin keep track of their contributions—if they would provide them to Esporin or me—so that I could provide specific information to Hill when I got the opportunity to address this issue with him. I made clear that I could not commit to what type of recognition they would receive for these contributions, but that I would make their case to Hill that Centex Rooney should somehow take into account their personal sacrifices.

21. On March 4, 1998, I met with Brice Hill and Ken Bailey, then Executive Vice President ("EVP") and COO of CCG to discuss Centex Rooney's political contribution policy. Hill understood that the majority of Centex Rooney's construction work was based on a negotiated selection process that rewarded personal relationships with decision-makers. He also knew that many of Centex Rooney's clients were frequently asking us for political contributions.

22. I told Hill of the concerns expressed to me by employees about their political contributions. Hill initially stated that individuals should just make their contributions and not look to the company for political involvement. I explained, however, that frequently the person attending a school board fundraiser or some political event had no ties with that school board or candidate and had no reason to spend their time and personal funds attending the fundraiser other than to put Centex Rooney's best foot forward. Hill

acknowledged importance to the Company of such involvement, and the need for the company to recognize it.

23. We then discussed several ideas as to how Centex Rooney could encourage its employees to be more politically active. I suggested that individuals' political activities and contributions could be recognized just as their community involvement and other relationship building activities were already recognized in the discretionary bonus process. Thus, personal political involvement could be a factor to be considered if a bonus were given at the end of Centex Rooney's fiscal year. I also showed Hill a card whereon Gary Esporin had listed the political contribution amounts of Centex Rooney executives who had been politically active in fiscal year 1998 (April 1, 1997 to March 31, 1998), including myself. My purpose was to show Hill that individuals were making personal political contributions that benefited the company's reputation, at substantial personal cost to themselves. See Attachment 1A.

24. Brice Hill reviewed these specific numbers and approved the plan whereby Centex Rooney would consider political contributions at year-end discretionary bonus time. He specifically stated, however, that this consideration would only apply in years when the company met the minimum profitability threshold. In other words, if no bonuses were going to be paid out in a given year because Centex Rooney did not achieve the minimal financial thresholds, then no one would be eligible to receive any monetary recognition for his political contributions. Ken Bailey and I agreed. I was then tasked with explaining Hill's decision to the accountants and asking them to establish a fair method for the contributions to be considered.

25. Pursuant to Hill's directive, I discussed his decision with Gary Esporin, then Chief Financial Officer ("CFO") of Centex Rooney. Esporin committed to create and administer the process for accounting for individual political activity, and noted on the same card I had shown to Brice Hill regarding the executives' political contribution amounts: "Brice agreed that we will handle this on the bonus spreadsheet." See Attachment 1A.

26. Now that my big picture objective was accomplished—getting Brice Hill's agreement to provide for consideration of an individual's political activity and contributions as part of the discretionary bonus process—I left the mechanics to our financial people.

PRELIMINARY INCENTIVE COMPENSATION WORKSHEET PROCEDURE

27. Gary Esporin produced the preliminary incentive compensation spreadsheets and the final spreadsheets each year from 1998 to 2002.

28. Fiscal Year 1998 was the first year that political contributions were to be considered as part of the information available for the discretionary bonus. In response to Brice Hill's decision and my general instructions, Gary Esporin decided to summarize political contributions he was aware of under the discretionary management bonus column.

29. I never asked for the discretionary management bonus column to appear on the incentive compensation worksheet. In fact, at one point I questioned Esporin whether it was even necessary. He insisted upon it to ensure that there was clear communication with CCG's leadership in Dallas and to provide sufficient information for Brice Hill to give his approval. Esporin also kept a file of information (including cancelled checks) to back up the numbers in the column. I never reviewed this file, as I did not see it as my role to be intimately involved with his procedures; just that the total bonus number was fair and that Dallas had enough information for sign off.

30. Likewise, I did not discuss with Gary Esporin how he finally came up with the numbers in the discretionary management bonus column. I never reviewed any reconciliation of, or any details of this column, and I never bothered to alter those numbers. That column remained part of the fiscal year work sheets of 1998, 1999, 2000, and also in 2001 and 2002 after I had been promoted from Centex Rooney to CCG. See Attachment 1B.

31. Esporin always carried across the exact number from the discretionary management bonus column to the total pool distribution column. Again, my concern was not that individuals receive some specific amount of money, but rather that the overall bonus information available to me and my corporate superiors include data reflecting the general size of an individual's personal political activity. For this reason, I provided copies of my own political contributions to Esporin as well, so that Brice Hill and others reviewing the bonus information in Dallas would know the general amount of my personal activity, as well as that of other senior executives. This process did not change when I moved to CCG in 2001 because I continued to think a transparent record of the bonus process was important.

32. Again, my focus was not to micromanage Esporin, but rather on what each executive deserved as a total bonus—the final amount only—which bore no real relationship to the relatively small number in the discretionary management bonus column. (For example, the first document, dated 05/01/98, in Attachment 1B shows my handwriting. Per usual, Esporin had prepared the initial spread sheet and I was reviewing and sometimes changing the final numbers. In this case, I had scribbled the 1997 total bonus numbers so that I could ascertain what expectations each individual might have as I made my decisions regarding the 1998 total bonus figures.) Accordingly, the number in the discretionary management bonus column was essentially irrelevant to my

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decisions on the size of an executive's bonus. The number was typically only a very small portion of the overall bonus. I was unclear about how Esporin came up with each number and I therefore never attempted to make executives whole (whether by dollar-for-dollar reimbursement, gross-up for taxes, or otherwise) for their political contributions.

33. To be clear, I also never authorized any direct reimbursements for anyone's political contributions nor did I ever advance money for any political contributions or expenses. I understood the company direction (decided by my supervisor Brice Hill in the meeting of March 4, 1998) to be that political contributions should be considered as part of determining an executive's annual bonus—if a bonus was awarded. Accordingly, I would consider political contributions only in that global context and only as a small part of a much larger appraisal of how much an employee's performance benefited the company.

34. I also never required that I be given proof of political contributions, and when I occasionally received a cancelled check or equivalent document, I simply handed them off to Esporin. Moreover, I never directed people to make contributions to specific candidates. I made sure that everyone knew that making political contributions was a personal, voluntary decision, and that CCG's only concern with their political activity was to consider it in the context of relationship building.

35. I am not aware of any contributions that were made involuntarily. Sometimes I would tell people that I was supporting a particular candidate, and on occasion I would hold fundraisers at my own house, or see Centex Rooney employees at someone else's political fundraiser. In each instance, however, the fact that other employees contributed was their own decision, and not required by me. Once, while I was away from the office in 2001, my secretary, Teresa Hopkins, sent out an email to some executives saying that I was requesting political contributions to Gov. Jeb Bush's reelection campaign, and asking that the checks be delivered to me. I did not approve her email before it went, and when I returned to the office, I reprimanded her, and told her never to do that again. I explained that while I would sometimes let people know of political fundraisers, or invite them to one, the decision whether to contribute was entirely up to the individual, and that I would never imply that contributions were expected.

36. On May 1, 1998, the preliminary incentive compensation worksheet was prepared for the fiscal year 1998. As explained in paragraphs 40-50 below, I then adjusted the calculations, focusing on the final bonus figure, based on various factors before returning the spreadsheet to Esporin. Esporin then presented the revised spreadsheet, (which still included the discretionary management bonus column), to Brice Hill and Chris Genry, then CFO of CCG

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in Dallas. They approved it and Genry sent the final, full spreadsheet to Mark Layman, then a direct report to Genry and Vice President over CCG's "Shared Services" Department, which included payroll. Hill, Genry and Layman all had to review and sign off on the bonus summary spreadsheet before the bonus figures could be transmitted to payroll for check preparation.

37. On April 29, 1999, the preliminary incentive compensation worksheet was prepared for the fiscal year 1999. Again, Gary Esporin presented the spreadsheet, which included the discretionary management bonus column, to Hill and Genry in Dallas. They again approved it. Genry then sent the final spreadsheet to Layman for sign off and for payroll to produce the bonus checks.

38. Thus, in both 1998 and 1999, Brice Hill, Chris Genry, and Mark Layman reviewed Centex Rooney's final worksheets produced by Esporin and signed off on the final numbers before any of the money was paid out. See Attachment 1C. To my knowledge none of them ever questioned the propriety of the discretionary management bonus column.

39. Of course, I never imagined that they would question it because I knew of no improprieties, and the inclusion of personal political activity/contributions in the discretionary bonus process had been approved by my direct superior. Brice Hill had approved the plan and directed that I implement the plan in our March 1998 meeting. Likewise, to my knowledge Genry and Layman had not expressed any reservations about our decision to have Esporin create and implement a system whereby political contributions would be considered as part of the year-end bonus allocation. Additionally, Bruce Moldow—Senior Vice President and Co-Chief Legal Officer ("CLO") of CCG, and EVP and General Counsel of Centex Rooney—knew of the decision for CCG to give consideration to political contributions in deciding the size of the year end bonuses, and he made certain that Esporin had copies of his own political contribution checks for this purpose. See Paragraphs 53 and 55 below. However, I am not aware whether Moldow ever knew of or saw the bonus spreadsheets.

40. In 2000, 2001, and 2002, Gary Esporin and Mark Layman remained intimately involved in the entire process and, as they had in the two preceding years, signed off on my determinations before anyone received a bonus. In 2001 and 2002, Ray Southern, Vice Chairman and CEO of Centex Rooney, and Doug Simms, Controller of Centex Rooney, signed off on the bonus sheets before they were given to me for my approval before Esporin sent them on to Dallas for Centex Corporation's final sign off. (In January of 2000, when I replaced Brice Hill, I promoted Layman and Esporin to co-CFOs of CCG. Layman still holds that position, but I understand that Esporin has recently been demoted. Chris Genry resigned from CCG in January 2000, about the same time that Hill left the company.)

41. From 2000 on, I became even more detached with the specifics of the policy and had less control over other day-to-day workings of Centex Rooney because my role was to now be focused on CCG's national interests, instead of focusing on just the Florida company. In that capacity, I regularly traveled to CCG's six main offices and 15 branch offices. I also frequently visited some of CCG's 400+ construction projects in 25 states.

EXECUTIVE INCENTIVE COMPENSATION PROGRAM

42. As head of Centex Rooney, I had several responsibilities in administering the "Executive Incentive Compensation Program" or year-end bonus. The Compensation Program was structured according to CCG's guidelines to recognize and financially reward relationship building activities by providing bonuses in years where the company had met its minimum financial thresholds. See Attachment 1D.

43. First, no bonus whatsoever could be paid unless the company hit specified profitability thresholds. See Attachment 1D, p.5. Thus, executives would not receive a bonus regardless of how much new business they brought in, the quality of their work, their performance, or their relationship building activities (much less the amounts of their political contributions) if Centex Rooney failed to meet its minimal financial threshold.

44. Second, if the company was sufficiently profitable, then the size of the bonus pool available for bonuses was capped depending on how profitable it was. Although I could not exceed those caps, I did have the discretion to determine whether we would distribute the entire pool.

45. I also determined each executive's bonus within that overall number. I took this responsibility very seriously as I had worked hard to assemble a very successful business with excellent, industrious people who I wanted to fairly reward for their respective contributions to the company's success.

46. Third, my focus was big picture only. All I cared about for each individual was to consider all factors in establishing a total bonus amount, while following the incentive plan guidelines. See Attachment 1D. I have never performed a detailed calculation or reviewed the backup in Esporin's files in the course of establishing the total annual compensation for individuals.

47. I knew each individual included in the executive bonus pool and what each had produced that year. I also knew how that individual's efforts compared with others eligible for the bonus. Based on these considerations and comparisons, I determined what percentage of the pool they deserved. In short, I cared about an individual's performance taken as a whole; specific numbers, such as how much business an executive had brought in or time and money spent on relationship building (including political contributions), were only

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relevant as factors in solidifying my view of their overall worth to the company that year.

48. The senior executives were aware that the largest part of their overall bonuses was based on a mathematical calculation of economic earnings of the company. However, we never shared that calculation or actual percentages assigned to an executive with them. Because the primary component was economic earnings based, with a specific calculation, we did not round off their total amounts as we did for their subordinates. The exception would be a category of employees known as "estimators." For those few employees we did have a formula-based approach in deciding their bonus.

49. With regard to rewarding relationship building; personal relationships with developers, architects, school board members, city commissioners, county commissioners, and other influential members of a community are the key drivers of our business. I gave consideration to all employee relationship building and extra curricular efforts (personal sacrifices) in determining an individual's annual incentive performance bonus.

50. In 1998 and 1999, I personally presented a bonus check to several of the senior Centex Rooney executives, and thanked them for their efforts in making Centex Rooney a great company. I did not personally hand out checks to the lower level executives, but would instead invite their supervisors to do so. I presented no checks since the fiscal year 1999 checks, when I assumed responsibility for CCG. In 2000, 2001, and 2002, Ray Southern, Vice Chairman and CEO of Centex Rooney, and Al Petrangeli, President of Centex Rooney, gave the bonus checks to the individuals.

51. In presenting these bonus checks in 1998 and 1999, I never mentioned the role political contributions had in the year-end bonus and no one ever asked me any questions regarding whether his political contributions were reflected in the total amount. Put another way, to my knowledge, none of the executives receiving the bonus ever knew how much of the total bonus was in consideration for their political contributions.

52. I personally was not concerned to what extent my own political contributions were compensated because the final bonus number was what I ultimately considered to be Centex Rooney's recognition of all of my efforts and achievements on its behalf. I was primarily rewarded based on the success of the company in the preceding year and for my personal contribution to the company's quality of work, safety record, and overall business performance. However, the fact that my own political contributions were recognized in the left-hand discretionary bonus column allowed my corporate superiors to know of them, and to raise questions as part of the review process if they had any

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concerns about my bonus. They never did, but I thought it was important for the system to be completely transparent to them.

CENTEX CORPORATION'S COMPLIANCE GUIDANCE AND EXECUTIVE KNOWLEDGE OF POLITICAL CONTRIBUTION INCENTIVES

53. When I assumed my new position as head of CCG on January 11, 2000, I met with Larry Hirsh in Dallas that same day to talk with him about many issues connected with the new job. During that conversation, one of the subjects on my agenda was the process for recognizing political contributions. I raised with Hirsch the subject of the political strategy in Florida and Centex Rooney's political activities procedures. *See* Paragraphs 19-26. I was prepared to go into any details of interest to Hirsch. He did not demonstrate any sensitivity or concern. Instead, he just waived it off and said I should follow Centex's guidelines on permissible contribution amounts and "talk to Bruce Moldow" about any questions that may arise.

54. After that January 11th meeting, I discussed Hirsch's response regarding Centex Rooney's political contribution activities with Mark Layman and Gary Esporin as they had both been aware that it had been an agenda item for our meeting. Both of them, as described above, were fully aware of the political contribution component of the discretionary bonus system created per Brice Hill's direction after the March 4, 1998 meeting.

55. I also followed Hirsch's advice and spoke with Bruce Moldow about Hirsch's response. Moldow knew that political contributions had been an agenda item for the meeting. From that point forward, Moldow was involved in ensuring our compliance with the company's "Political Contributions" document, *see* Paragraph 56 below. Moldow also submitted copies of his political contribution checks to Esporin. Although he was our in-house legal counsel, he never indicated that considering political contributions in the bonus process was inappropriate.

56. Prior to the last 60 days or so, I had never read federal or state election statutes. Nevertheless, Centex Corporation produced a couple of documents to assist its employees with their political compliance. The primary document, entitled "Political Contributions," was referred to me by Hirsch in our January 11, 2000 meeting and produced periodically by Centex's legal department. *See* Attachment 1E. I have read and followed the documents produced in 1998, 1999, 2000, 2001, and 2002. This guidance, however, did not address a Centex company's ability to recognize employees' political contributions. Instead, it merely provided concise bullet-point advice about state and federal contribution laws (e.g., prohibitions and limits).

57. Centex produced a "Code of Conduct" in July of 2002. See Attachment 1F. Although the Code has two paragraphs of potential relevance under the heading "Gifts/Bribes/Political Contributions," it also does not address the propriety of recognizing employees' political contributions.

58. Centex also administered a corporate political action committee. Beginning in 2001, I began contributing to Centex PAC and occasionally requested contributions from the PAC to political candidates of particular importance to the Company. The PAC was initially not very responsive, and in the course of following up on some of these requests, I spoke with Larry Hirsch about their desirability. He then acted to ensure that the PAC administrators made the contributions I requested.

59. I spoke with Hirsch directly again about Centex Rooney's political contribution policy at the January 14, 2003 meeting with Hirsch and Tim Eller. The purpose of that meeting was to see whether my relationship with Eller could be improved. Political activity was one of the items on my agenda. See Attachment 1G. I reminded Hirsch that we had discussed this subject almost exactly three years ago in my first transition meeting with him. Eller asked if requests for political contributions were ever put in writing, or if anyone, subcontractors and suppliers, could ever claim they were pressured into contributing. I said we were careful never to pressure anyone to contribute. The point was for our senior executives to be involved in their respective communities with the causes and candidates of their choosing.

60. My direct approach in talking to Hirsch about all aspects of my employment was typical. During my 17 years with Centex, I always strove to keep all aspects of my operations transparent to my superiors. One of my guiding leadership principles that I am known for throughout CCG and the construction industry is "No Surprises." In keeping with that principle, I placed political contributions on the agenda in two of the most important meetings that I had with Hirsch and was prepared to discuss any details of CCG's and Centex Rooney's political activities.

61. As I mentioned earlier, on January 23, 2003, I met with Larry Hirsch in Dallas where we agreed on the terms of my departure. More pertinently, this meeting marked the first time Hirsch had ever questioned Centex Rooney's and CCG's recognition of political contributions.

62. Once my meeting with Hirsch concluded, Mark Layman drove me to the airport. Layman was aware of the substance of the meeting and immediately asked how it had gone. I told him that we had reached an agreement for me to leave the company.

63. I also told Layman that Hirsch had questioned the handling of political contributions at CCG. Layman immediately responded that Hirsch had known about that since at least January of 2000. Layman then stated that Hirsch and Ray Smergee, Centex Corporation's EVP and Chief Legal Counsel, had been on a "witch hunt" to find anything wrong with my performance to strengthen their hand if I ended up leaving the Company. I replied that I did not mind moving on if I did not have the complete support from Centex that I had always enjoyed in the past. I also noted that there did not seem to be a solution between Eller and me. Finally, I expressed my hope that after 17 great years together we all would take the high road in severing our relationship.

Bob Moss

Signed

4/26/03

Dated

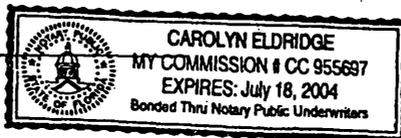
Sworn and subscribed to

before me this 26 day of

April, 2003.

Carolyn Eldridge
Notary Public

My Commission expires:



Bob Moss is known to me personally.